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THE PERMANENCE OF POLITICAL FORCES.

PART II.

DURING the civil war, and immediately at its close, the financial questions determined were of as great importance as or greater than any now before the country ; but they were then overshadowed by graver interests. To-day, fiscal affairs make a leading issue in party politics. The main question awaiting decision is a plain one : Shall the circulating medium of the country be of the precious metals, or shall it be of inconvertible paper ? This is the real issue. Its decision will decide the numerous intermediary schemes which have been invented to avoid the main question ; and we shall greatly delude ourselves if we suppose that any point of rest will be found short of it. Neither of the two chief political parties can be said to be solidly united for or against either proposition. Neither, therefore, could at this time go into a Presidential election with financial questions as the main issues, with the certainty that all its forces would be in line. Something of the strength of both would be drawn to a third party, if such there was, which represented paper money pure and simple. Such a party has come into existence during the past four years. It was almost inevitable that it should as soon as fiscal systems became leading issues, and neither of the two chief parties made inconvertible paper the financial plank of its platform. The Greenback, or National party, then, being an independent organization, its future must be considered by the light of the law of growth of third parties, which is invariable, and may be stated thus : *Since the two principal parties each represent the whole scheme of political government, though different principles of it, they represent generally that particular element or interest in it which the third party represents specially. This third party must continue to increase, with more or less disturbance of the main bodies, until a decisive point is reached. When this has been attained, it*

either expires, and its individual parts are reabsorbed in the two principal parties, or it itself absorbs that one of these with which it has most affinity. Whether it does the one thing or the other depends in the main upon the nature of the interest it represents. A party formed upon an issue broad enough to cause a civil war has one sufficiently broad to absorb one of the preëxisting parties ; while another, having its cause of being solely in the idea that an accident of nativity should be the qualification for suffrage, passes away with no other than a third-party record.

It is clear that we have to consider, in view of this law, whether the issue upon which the Greenback or National party is formed be such a one as may threaten the existence of either the Republican or Democratic party ; whether, in fact, either of them shall cease to be, and thereafter parties be National and something else. The issue presented is certainly not so new to the country as was Know-nothingism, since in this year of grace it can claim the respectable age of one hundred and ninety years. It had its birth in Massachusetts in 1690, and during the course of its long and eventful life has plagued this nation more persistently than any other upon which political parties have differed. It has come up in every conceivable variety of form ; it fomented violent disputes among the people, and between the people and the royal Government when the country was colonial ; it was one of the leading economic causes of the Revolution ; it played a prominent and disastrous part in the War of Independence ; it made havoc in our domestic affairs after independence was achieved ; it was one of the chief obstacles to the acceptance of the Constitution ; it survived its adoption, which was thought to have killed it, and, entering on a new career in different shape, it disturbed the country under President Madison ; it convulsed it under President Jackson ; it worried and distracted it more or less nearly down to the accession of President Lincoln ; it then underwent a transformation or retransformation back to its old and worst form ; and here it is to-day, as active, threatening, and troublesome as ever. There is no getting rid of it. It will not down. Its persistency as a disturbing force is beyond that of any other single cause.

And, again, as to the various forms of paper money, and their effects, we have tested the working of every one to the last extreme. We have had paper money in every shape, and issued for every variety of purpose, that the history of finance shows to be known to any country in the world. There has been inconvertible and con-

vertible paper money ; and paper nominally convertible but really inconvertible ; it has been issued by the General Government, by the State governments, and by corporations under Government charters ; it has been legal tender and not legal tender, and the proverbial ingenuity of the Connecticut mind discovered a compromise between these two ; it has been based on landed security ; on the security of taxes ; and on no other security than the pure credit or authority of the Government, i. e., "fiat money" ; its causes of issue have been to meet extraordinary Government expenditures ; to meet current Government expenditures ; for the professed purpose of affording a circulating medium ; and as a loan for the promotion of industry. Issues of "fiat money" have nearly all originated in the necessities of war. The first issue by Massachusetts, in 1690, was to pay the cost of the disastrous expedition against Canada. Further issues were made for a like purpose in 1709, and the other New England colonies with New York and New Jersey joining in the expeditions, they too issued "fiat money" to defray the expenses. Virginia made its first issue to pay the cost of Braddock's expedition ; South Carolina to meet the charges of an expedition against the Spanish settlement of St. Augustine ; the Continental currency was issued to pay the charges of the Revolutionary War ; all the States made large issues for the same purpose ; and the greenback of to-day came into existence through the Government needing money to put down the rebellion.

So far for the persistency ; let us glance at another feature of this issue, viz., its troublesomeness. In the first place, there was a constant discord between the colonies and the Crown on this matter of paper money. The issues, beginning with war, but soon renewed in times of peace, deranged trade. The British merchants suffered heavily in consequence, and the home Government tried hard to hold the colonists down to the use of coin. Its most conspicuous success was in exasperating them. In all these troubles, the popular leaders were extreme in their opposition to the interference of the Crown. Restraint being removed by independence, and the people being free to manufacture as much paper as they chose, there was substantial unanimity upon the subject until depreciation began. Depreciation was considered to be something unpatriotic. Congress endeavored to stop it by passing tender acts and maximum-price acts ; the States, by acts to punish speculation. The "Safety Committees" took up their enforcement vigorously, and as these bodies were purely voluntary associations, like the modern

vigilance committee, it is easy to imagine the zeal with which they carried on their operations. In a few years, the ruin which had been wrought was frightful. Paper money was said to have done infinitely more damage to the country than the arms of the enemy. Under the Confederation we have some more examples. An era of wild speculation followed the War of Independence, just as it did the civil war. The people were poorer than ever they had been before, but peace opened a glorious dream of wealth in the near future. Free trade was to make the whole country opulent immediately ; the price of lands was to rise enormously from the torrent of immigration expected to pour in from Europe. Paper money had already turned all the transactions of trade into a system of betting, and there was yet another popular delusion aiding speculation. "It had not escaped observation," says Marshall, "that every purchaser on credit, however excessive the price might apparently be, had not only been relieved by the depreciation, but had derived great gains from his contract. Speculating on a similar course of things, many individuals had made extensive purchases at high prices, and had thus contributed to continue for a time the deception imposed on themselves by those *who supposed that the Revolution was a talisman, whose magic powers were capable of changing the nature of things.*" Previous to 1873 it was the popular belief with us that the civil war had been such a talisman. In two or three years the crash came, and we have graphic pictures of the distress and disorders which attended the painful process of contraction. The popular cry was that it was impossible for the people to pay their public or private debts ; the more popular demand, that prosperity should be restored by legislation. After 1873 we heard this cry very loud among ourselves.

Under the Constitution the cause of coin against paper took the form of a political warfare on the question of bank or no bank. It was, however, no longer "fiat money," but bank-paper, nominally convertible, though practically as inconvertible as the other, which was in dispute. The establishment of the first United States Bank was a subject of warm contention between the two political parties, for the Democrats held it to be a violation of the Constitution. Upon this point, however, they changed their minds in 1815, and demanded that the bank be rechartered, on the ground that such an institution would control the extravagant increase and wild-cat operations of the State banks. The second United States Bank opened for business January 1, 1817 ; but its operations did

not tend to produce unanimity of opinion between the two parties. Great expansion, followed by violent contraction when Congress threatened to cut short its career, produced the collapse of 1819, which inflicted ruinous losses on the country. When President Jackson, some ten years or so later, commenced his warfare upon it, the Whigs had taken it under their protection, and the system of paper money which it represented. The contest reached its highest point of fury in the second election of Jackson. "Jackson and hard money" was the watchword of the campaign on the Democratic side. Banking corporations were to that generation what railroad corporations are to the present. As a result of the campaign, the charter of the bank was not renewed. It expired by limitation in 1836. In 1846 the last of the many contests fought out between the two parties on the paper-money issue, previous to the civil war, took place on the passage of the second Independent Treasury Act, the first having been repealed by the Whigs the year after its passage by the Democrats. With its enactment, this troublesome and persistent question was removed from the field of national (though not of State) politics, only to be brought back again through the war.

The least enthusiastic believer in the virtues of "fiat money" might be excused if, from a hasty glance at these facts, he jumped to the conclusion that his party had an issue broad enough to expand upon, until, in obedience to the law of growth, it became one of the two chief parties of the country. But, in this conclusion, he would be profoundly in error. Not only is it insufficient for this, but it is one which the history of this country for nearly two centuries shows to be such as must doom a third party to inevitable and total defeat. All the experience of the past, all the lessons to be derived from that experience, would be totally falsified if the ultimate fate of the Greenback party should be any other than its defeat and dispersion. The harm it may do the country before that time must be through its influence on the two chief parties, and the damage it may inflict by local successes.

The limits of this article preclude any but the briefest possible statement of the reasons for this assertion; but, if we look under the surface of things, it is speedily discovered that, where paper has gained its national victories against coin, the issue has always been complicated with other matters of far deeper interest to the nation. Upon the one occasion when it was tried on the merits, the side that espoused paper money suffered an overwhelming defeat. True, that the people in colonial times were greatly enamored of a paper

currency, to the issue of which they had many temptations ; but it is clear that there could be no dispassionate discussion when the cause of metallic money was identified with the Crown Government, whose interference in its favor was resented as an invasion of popular rights ; when Samuel Adams is found declaring this interference to be a violation of the rights of man, and the cool-headed Franklin writes pamphlets in opposition to it. Furthermore, this interference was so far successful that the people had undoubtedly to wait for independence to gather a full experience of the evils which paper money can inflict. Again, the Continental Congress could not tax, and hence the issue of paper money was the only way in which it appeared that funds could be raised to defend the country. Thus its issue again became identified with patriotism, and at a time when patriotism was a flame of fire in the hearts of the people. After the war, paper money had no such moral support, and at once we find the most violent contests for and against its issue waged in the several States, one class demanding it as a measure of relief in the prevailing distress, another resisting it as the root of all evil. Soon after the Debtors' Rebellion in Massachusetts was put down, the Constitution was presented for adoption. Its provisions struck, as they were intended to strike, what was thought a fatal blow at the party of paper money. The whole country divided into two parties for and against adoption ; but not as debtor and creditor. This issue, until that moment distracting every State, instantly disappeared. Federal or anti-Federal was the question. It is certainly reasonable to suppose that the mass of the paper-money party went to swell the ranks of the anti-Federalists, and yet it did not suffice to give them the victory in the contest. After the adoption of the Constitution, the Whigs represented the cause of paper. They certainly can not be called a successful party, and in their financial policy they were conspicuously and disastrously unsuccessful. The two Presidents they elected were elected on platforms which kept paper money in the background. When Jackson and Clay were opposed, the main issue was really a financial one ; and the Whigs were simply nowhere. One hundred and seventy-eight electoral votes were cast for Jackson to eighty-three for Clay, although the latter had the whole of the then powerful banking organization of the country supporting him. Nor should it be forgotten that the question as then presented was very far from having the extreme form in which it is now presented by the Greenback party. Finally, it must be noted that it is not due to any decision given by

the country on financial questions pure and simple that this party has a cause of being at all, but solely to the pressing necessities of the Government in a mighty struggle for its existence ; and thus patriotism again came into play, and but lately stump-orators were talking of the " blood-stained greenback."

In conclusion : as to the degree of influence which the Greenback or National organization may exert on the two chief parties, and the damage it may thereby inflict on the country, that is obviously a matter beyond human foresight. But, from the experience of the past and the circumstances of the present, these conclusions seem justified : First, that so long as financial questions are an issue in national politics, no resting-place will be found until it is finally and absolutely determined whether coin or an inconvertible paper currency is to be the money of the country ; second, that the Greenback organization will never be anything but a third party, and, as such, will be defeated and broken up ; third, that the ultimate result of the agitation will be a decision, irrevocable if such be possible, either by amendment to the Constitution or otherwise, that the national Government shall not, for any cause or under any circumstances, issue an inconvertible legal-tender paper money.

CUTHBERT MILLS.